



WHY ARE HEALTH INSURANCE PREMIUMS INCREASING UNDER THE STATE HEALTH BENEFIT PLAN IN 2013? (Non Medicare Advantage Plans)

The State Health Benefit Plan is self-insured, i.e., self-funded. This means that the premiums you and I pay, plus the contributions your employer makes, pay all claims. Our costs go up based on member utilization and the price of services elected. Simply put, you and I are the SHBP. Nationally, the administrative cost of providing health care has risen 8.4 percent annually for the last 5 years. Fortunately, because of the stewardship of State Health Benefit Plan (SHBP) officials, our costs have risen only 5.1 percent annually.

Despite our work to lessen the increase in health care costs, SHBP would still be facing a \$90 million shortfall in 2013 and a \$418 million shortfall in 2014 without plan design changes. To keep the State Health Benefit Plan (SHBP) on sound financial footing, difficult decisions continue to be necessary. It's important to note, that just as costs have gone up for individuals, costs for your employer are also going up – even more than an individual's. Both, employees and employers have a vested interest in keeping our costs under control.

To address higher health care costs, adjustments are coming in the form of structural changes and plan design changes. Overall, the aggregate average premium increase for Calendar Year 2013 is 9.5 percent. Two percent of this increase is to provide 100% coverage (as preventive care) for certain women's healthcare services such as contraceptive products and services, routine prenatal screenings and breast-feeding equipment and supplies mandated for 2013 under the Patient Protection and Affordable Care Act. These covered services will be listed by December 1, 2012 at www.AHealththeirSHBP.com.

Structurally, we're aiming for an overall sharing of a 75/25 split on the cost of your health insurance, with your employer paying about 75 percent and you paying about 25 percent. The premium increases for Calendar Year 2013 are higher on the family plans as current premiums for this tier do not reflect the true claims cost of insuring two adults.

Prior to Calendar Year 2013, the cost of a spouse and other dependents was heavily subsidized by other plan members. For example, in the past, members in a family plan were only paying 8 percent of the cost of their spouse's insurance. Beginning January 2013, premiums will begin to reflect the true cost of covering two adults. This sharing is still a good benefit for members when you consider that many states only pay 50 percent or less for spousal coverage.

To ease the transition, we have capped the spousal increase at \$90 for this year and have eliminated the \$50 spousal surcharge. Over the next several years, premiums for this tier will move toward the employee paying 30 percent of the cost of insurance for their covered spouse. If you're looking at ways to reduce costs and your spouse works, consider looking to see what it would cost for your spouse to receive coverage from his or her employer.

Please know that we are working hard to protect our State Health Benefit Plan but it is something we must all work on together. It is up to all of us to make careful decisions that will impact our healthcare benefits and costs.